

TOWN OF LYNNDYL
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

**TOWN OF LYNNDYL
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YEAR ENDED JUNE 30, 2006**

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ACCOUNTANT'S COMPILATION REPORT

Honorable Mayor and Town Council
Town of Lynndyl
Lynndyl, Utah

I have compiled the accompanying financial statements of the governmental activities, and business-type activities of Lynndyl Town, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Towns' basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis and Budgetary Comparison information on pages 2 through 6 and page 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

I am not independent with respect to Lynndyl Town.



Todd E. Holt, CPA
November 21, 2006

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Town of Lynndyl (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006.

Financial Highlights

- Governmental activity revenues increased by \$ 26,289 over the previous year. This increase is due to an increase in grant funding received by the Town. Governmental activity expenditures increased by \$ 51,276 due mainly to road projects completed during the year as well as increased general administrative costs and fire administration costs.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the Town provide the following services: public safety (police and fire), highway and streets, sanitation, water, recreation, and general administrative services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local government units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds provide the same type of information as presented as business-type activities in the government-wide financial statements, only in more detail.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$ 143,786 at the close of the most recent fiscal year. The Town had \$ 60,958 in outstanding debt as of June 30, 2006.

Lynndyl Town's Net Assets

	<u>Governmental Activities 2006</u>	<u>Business-Type Activities 2006</u>	<u>Governmental Activities 2005</u>	<u>Business-Type Activities 2005</u>
Current and Other Assets	\$ 25,449	\$ 10,258	\$ 53,017	\$ 21,287
Capital Assets	<u>60,109</u>	<u>116,845</u>	<u>66,622</u>	<u>110,246</u>
Total Assets	<u>85,558</u>	<u>127,103</u>	<u>119,639</u>	<u>131,533</u>
Other Liabilities	1,139	6,778	981	6,778
Long-Term Liabilities	<u>-</u>	<u>60,958</u>	<u>-</u>	<u>66,799</u>
Total Liabilities	<u>1,139</u>	<u>67,736</u>	<u>981</u>	<u>73,577</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	60,109	55,887	66,622	43,447
Unrestricted	<u>24,310</u>	<u>3,480</u>	<u>52,036</u>	<u>14,509</u>
Total Net Assets	<u>\$ 84,419</u>	<u>\$ 59,367</u>	<u>\$ 118,658</u>	<u>\$ 57,956</u>

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year as well.

Lynndyl Town's Change in Net Assets

	Governmental Activities 2006	Business-Type Activities 2006	Governmental Activities 2005	Business-Type Activities 2005
Revenues:				
Program Revenues:				
Charges for Services	\$ 3,073	\$ 31,255	\$ 3,131	\$ 32,694
Operating Grants	26,464	-	14,949	-
Capital Grants	12,785	1,925	-	-
General Revenues:				
Property Taxes	9,960	-	8,481	-
Other Taxes	14,197	-	13,915	-
Interest	1,410	104		
Miscellaneous	62	-	1,186	113
Total Revenues	<u>67,951</u>	<u>33,284</u>	<u>41,662</u>	<u>32,807</u>
Expenses:				
General Government	33,805	-	28,311	-
Public Safety	28,895	-	14,640	-
Highways and Streets	38,259	-	6,178	-
Culture and Recreation	1,231	-	1,785	-
Culinary Water	-	31,873	-	40,879
Total Expenses	<u>102,190</u>	<u>31,873</u>	<u>50,914</u>	<u>40,879</u>
Change in Net Assets	(34,239)	1,411	(9,252)	(8,072)
Net Assets – Beginning	<u>118,658</u>	<u>57,956</u>	<u>127,910</u>	<u>66,028</u>
Net Assets - Ending	<u>\$ 84,419</u>	<u>\$ 59,367</u>	<u>\$ 118,658</u>	<u>\$ 57,956</u>

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful

measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town reported ending fund balance of \$ 24,310. Of this total amount, \$ 24,310 constitutes unreserved fund balance, which is available for spending at the Town's discretion.

General Fund Budgetary Highlights

The adopted budget for the fiscal year 2006 was \$44,800. This was a decrease of \$900 under the previous year budget.

The General Fund budget was not amended during the year due to an oversight by the Town Council. The actual revenue and expenditures of the Town exceeded budgeted revenues and expenditures for the year. Revenues were higher than expected as a grant for the fire department was received. Expenditures associated with the fire department grant exceeded budgeted amounts as well as expenditures for a road project as expenditures for both were not originally budgeted for.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Lynndyl, P.O. Box 917, Lynndyl, Utah 84624.

Town of Lynndyl
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 23,346	\$ 10,258	\$ 33,604
Accounts Receivable (Net of Allowance for Uncollectables)	2,103	-	2,103
Capital Assets (Net of Accumulated Depreciation)			
Land	50	-	50
Building and Improvements	53,105	-	53,105
Improvements Other Than Buildings	-	116,845	116,845
Machinery and Equipment	6,954	-	6,954
Total Assets	85,558	127,103	212,661
Liabilities			
Accounts Payable	424	455	879
Accrued Liabilities	665	-	665
Interest Payable	50	6,323	6,373
Long-Term Liabilities:			
Due Within One Year	-	5,791	5,791
Due In More Than One Year	-	55,167	55,167
Total Liabilities	1,139	67,736	68,875
Net Assets			
Invested in Capital Assets, Net of Related Debt	60,109	55,887	115,996
Unrestricted	24,310	3,480	27,790
Total Net Assets	\$ 84,419	\$ 59,367	\$ 143,786

See Accompanying Notes and Accountant's Compilation Report

Town of Lynnndyl
Statement of Activities
For the Year Ended June 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 33,805	\$ 1,347	\$ -	\$ -	\$ (32,458)		\$ (32,458)
Public Safety	28,895	1,726	26,464	-	(705)		(705)
Highways and Streets	38,259	-	-	12,785	(25,474)		(25,474)
Culture and Recreation	1,231	-	-	-	(1,231)		(1,231)
Total Governmental Activities	102,190	3,073	26,464	12,785	(59,868)		(59,868)
Business-Type Activities:							
Water	31,873	31,255	-	1,925	-	\$ 1,307	1,307
Total Business-Type Activities	31,873	31,255	-	1,925	-	1,307	1,307
Total Primary Government	\$ 134,063	\$ 34,328	\$ 26,464	\$ 14,710	(59,868)	1,307	(58,561)
General Revenues							
Taxes:							
Property Taxes					9,960	-	9,960
General Sales Taxes					14,197	-	14,197
Investment Earnings					1,410	104	1,514
Miscellaneous					62	-	62
Total General Revenues and Transfers					25,629	104	25,733
Change in Net Assets					(34,239)	1,411	(32,828)
Net Assets Beginning of Year					118,658	57,956	176,614
Net Assets End of Year					\$ 84,419	\$ 59,367	\$ 143,786

See Accompanying Notes and Accountant's Compilation Report

**Town of Lynndyl
Balance Sheet
Governmental Funds
June 30, 2006**

	<u>General</u>
Assets	
Cash and Cash Equivalents	\$ 23,346
Accounts Receivable (Net of Allowance for Uncollectables)	<u>2,103</u>
Total Assets	<u><u>\$ 25,449</u></u>
Liabilities	
Accounts Payable	\$ 424
Accrued Liabilities	665
Deposits	<u>50</u>
Total Liabilities	<u>1,139</u>
Fund Balances	
Unreserved:	
Undesignated, Reported in:	
General Fund	<u>24,310</u>
Total Fund Balances	<u>24,310</u>
Total Liabilities and Fund Balances	<u><u>\$ 25,449</u></u>

See Accompanying Notes and Accountant's Compilation Report

Town of Lynndyl
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total Governmental Funds Balances	\$ 24,310
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**Amounts reported for governmental activities in the
statement of net assets are different because**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>60,109</u>
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Net Assets of Governmental Activities	<u><u>\$ 84,419</u></u>
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See Accompanying Notes and Accountant's Compilation Report

Town of Lynndyl
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	<u>General</u>
Revenues	
Taxes:	
Property Taxes	\$ 9,960
General Sales Taxes	14,197
Licenses and Permits	1,347
Intergovernmental	39,249
Charges for Services	1,726
Interest Income	1,410
Miscellaneous	<u>62</u>
Total Revenues	<u>67,951</u>
Expenditures	
Current:	
General Government	31,003
Public Safety	25,184
Highways and Streets	38,259
Culture and Recreation	<u>1,231</u>
Total Expenditures	<u>95,677</u>
Net Change in Fund Balances	(27,726)
Fund Balances Beginning of Year	<u>52,036</u>
Fund Balances End of Year	<u><u>\$ 24,310</u></u>

See Accompanying Notes and Accountant's Compilation Report

Town of Lynndyl
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (27,726)
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**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital
outlays exceeded depreciation in the current period.

(6,513)

Change in Net Assets of Governmental Activities
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<u><u>\$ (34,239)</u></u>

See Accompanying Notes and Accountant's Compilation Report

Town of Lynnndyl
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes:				
Property Taxes	\$ 8,000	\$ 8,000	\$ 9,960	\$ 1,960
General Sales Taxes	6,600	6,600	14,197	7,597
Licenses and Permits	500	500	1,347	847
Intergovernmental	19,700	19,700	39,249	19,549
Charges for Services	5,000	5,000	1,726	(3,274)
Interest Income	-	-	1,410	1,410
Miscellaneous	5,000	5,000	62	(4,938)
Total Revenues	<u>44,800</u>	<u>44,800</u>	<u>67,951</u>	<u>23,151</u>
Expenditures				
Current:				
General Government	30,300	30,300	31,003	(703)
Public Safety	1,000	1,000	25,184	(24,184)
Highways and Streets:	8,000	8,000	38,259	(30,259)
Sanitation	-	-	-	-
Culture and Recreation:	2,500	2,500	1,231	1,269
Total Expenditures	<u>44,800</u>	<u>44,800</u>	<u>95,677</u>	<u>(50,877)</u>
Net Change in Fund Balance	-	-	(27,726)	74,028
Fund Balance Beginning of Year	<u>52,036</u>	<u>52,036</u>	<u>52,036</u>	-
Fund Balance End of Year	<u>\$ 52,036</u>	<u>\$ 52,036</u>	<u>\$ 24,310</u>	<u>\$ 74,028</u>

See Accompanying Notes and Accountant's Compilation Report

Town of Lynndyl
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Business Type Activities - Enterprise Funds</u>
	<u>Water</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 10,258
Total Current Assets	<u>10,258</u>
Noncurrent Assets:	
Capital Assets:	
Improvements Other Than Buildings	522,206
Less Accumulated Depreciation	<u>(405,361)</u>
Total Capital Assets, Net	<u>116,845</u>
Total Noncurrent Assets	<u>116,845</u>
Total Assets	<u>127,103</u>
Liabilities	
Current Liabilities:	
Accounts Payable	455
Matured Bonds Payable	5,791
Matured Interest Payable	<u>6,323</u>
Total Current Liabilities	<u>12,569</u>
Long-Term Liabilities:	
Revenue Bonds Payable (net of current portion)	<u>55,167</u>
Total Long-Term Liabilities	<u>55,167</u>
Total Liabilities	<u>67,736</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	55,887
Unrestricted	<u>3,480</u>
Total Net Assets	<u>\$ 59,367</u>

See Accompanying Notes and Accountant's Compilation Report

Town of Lynndyl
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business Type Activities - Enterprise Funds
	<u>Water</u>
Operating Revenues	
Charges for Services	\$ 31,255
Total Operating Revenues	<u>31,255</u>
Operating Expenses	
Costs of Sales and Services	8,647
Maintenance Operations and Contractual Services	7,168
Materials and Supplies	2,325
Depreciation	12,596
Miscellaneous	<u>-</u>
Total Operating Expenses	<u>30,736</u>
Operating Income (Loss)	<u>519</u>
Non-Operating Revenues (Expenses)	
Interest Income	104
Grant Income	1,925
Interest and Fiscal Charges	<u>(1,137)</u>
Total Non-Operating Revenues (Expenses)	<u>892</u>
Change in Net Assets	1,411
Net Assets Beginning of Year	<u>57,956</u>
Net Assets End of Year	<u><u>\$ 59,367</u></u>

See Accompanying Notes and Accountant's Compilation Report

Town of Lynndyl
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business Type Activities - Enterprise Funds
	<u>Water</u>
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 31,255
Cash Payments for Goods and Services	<u>(18,140)</u>
Net Cash Provided by (Used in) Operating Activities	<u>13,115</u>
Cash Flows from Noncapital Financing Activities	
Grant Revenue	<u>1,925</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>1,925</u>
Cash Flows from Capital and Related Financing Activities	
Capital Outlay	(19,195)
Principal Paid on Revenue Bonds	(5,841)
Interest Paid on Revenue Bonds	<u>(1,137)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(26,173)</u>
Cash Flows from Investing Activities	
Interest Income Received	<u>104</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,029)
Cash and Cash Equivalents Beginning of Year	<u>21,287</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 10,258</u></u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	\$ 519
Adjustments:	
Depreciation	<u>12,596</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 13,115</u></u>

See Accompanying Notes and Accountant's Compilation Report

**TOWN OF LYNNDYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

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TOWN OF LYNN DYLL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The Town operates under a Town Council/Mayor form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, water, recreation, and general administrative services.

The Town follows the definition criteria of GASB to establish its reporting entity. Oversight responsibility is the primary criteria used. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

There are no component units included in this report

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing

TOWN OF LYNN DYLL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major:	
General	See above for description.
Proprietary Fund:	
Water Utility	Accounts for activities of providing water services to the public.
Nonmajor:	
None	

TOWN OF LYNN DYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

TOWN OF LYNN DYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented at Note 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment

TOWN OF LYNN DYLL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 to 40 years	20 to 40 years
Machinery and Equipment	5 to 15 years	5 to 15 years
Infrastructure	30 years	30 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

TOWN OF LYNNDYL
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Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a court-assessed judgment.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
 - c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”
- Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property tax revenue is levied, collected, and distributed by Millard County, as required by State Law. Utah statutes establish the process by which taxes are levied and collected.

TOWN OF LYNNDYL
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The County Assessor is required to assess property as of January 1st, and complete the tax rolls by May 15th. By July 21st, the County Treasurer is to mail notices of assessed value to property owners. A taxpayer may then petition the County Board of Equalization between August 1st and August 15th, for a revision of the assessed value. Approves changes in assessed value are made by the County Auditor by October 15th. By November 1st the Auditor is to deliver the completed assessment rolls to the State Treasurer. Real property tax notices are mailed with a due date of November 30th. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of any additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2.A. BUDGETARY BASIS OF ACCOUNTING

Budgetary procedures for the Town have been established by Utah State. The basis of accounting applied to the budget is the same basis as the related financial statements.

Annual budgets are prepared and adopted in accordance with State law by the Council on or before June 30 for the following fiscal year beginning July 1. Budgets may be increased by resolution of the Council at any time during the year, provided a public hearing has been held regarding any proposed increase.

**TOWN OF LYNNDYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Under Utah Code, the Town's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. DEPOSITS AND INVESTMENTS

Deposits and investments for the local government are governed by the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town's policy for managing custodial credit risk is to adhere to the Act. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At June 30, 2006, the carrying amount of the Town's deposits were \$8,847, and the bank balance was \$14,678. Of the total bank balance, \$8,847 was covered by federal depository insurance.

TOWN OF LYNNDYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed.

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended June 30, 2006 the Town had investments of \$24,757 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act and to invest mainly in the PTIF. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

TOWN OF LYNN DYLL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance at July 1, 2005	Additions	Disposals	Balance at June 30, 2006
Governmental Activities:				
Land	\$ 50	\$ -	\$ -	\$ 50
Buildings	112,090	-	-	112,090
Machinery & Equipment	60,647	-	-	60,647
Infrastructure	-	-	-	-
Totals at historical cost	172,787	-	-	172,787
Less Accum. Depreciation				
Buildings	(56,183)	(2,802)	-	(58,985)
Machinery & Equipment	(49,982)	(3,711)	-	(53,693)
Infrastructure	-	-	-	-
Total Accum. Depreciation	(106,165)	(6,513)	-	(112,678)
Governmental Activities capital assets, net	66,622	(6,513)	-	60,109
Business-type activities:				
Improvements Other Than				
Buildings	503,011	19,195	-	522,206
Totals at historical cost	503,011	19,195	-	522,206
Less Accum. Depreciation				
Machinery & Equipment	(392,765)	(12,596)	-	(405,361)
Total Accum. Depreciation	(392,765)	(12,596)	-	(405,361)
Business-type activities capital assets, net	\$ 110,246	\$ 6,599	\$ -	\$ 116,845

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 2,802
Public Safety	3,711
Highways and Streets	-
Culture and Recreation	-
Total depreciation expense	<u>\$ 6,513</u>

TOWN OF LYNNDYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

3.C. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

None

Business-type Activities:

As of June 30, 2006, the long-term debt payable from proprietary fund resources and the annual debt service requirements to maturity, including principal and interest, are as follows:

Culinary Water Revenue Bond, Series A, 1983

Year Ending June 30	Interest Rate	Principal Due	Interest Due
2007	0%	2,420	-
2008	0%	2,420	-
2009	0%	2,420	-
Total		<u>\$ 7,260</u>	<u>\$ -</u>

Culinary Water Revenue Bond, Series B, 1983

Year Ending June 30	Interest Rate	Principal Due	Interest Due
2007	0%	1,704	1,187
2008	0%	1,773	1,118
2009	0%	1,846	1,046
2010	0%	1,921	970
2011	0%	1,999	892
2012 to 2016	0%	11,285	3,170
2017 to 2020	0%	9,832	769
Total		<u>\$ 30,360</u>	<u>\$ 9,152</u>

TOWN OF LYNN DYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Culinary Water Revenue Bond, Series C, 1983

Year Ending June 30	Interest Rate	Principal Due	Interest Due
2007	0%	1,667	-
2008	0%	1,667	-
2009	0%	1,667	-
2010	0%	1,667	-
2011	0%	1,667	-
2012 to 2016	0%	8,335	-
2017 to 2020	0%	6,668	-
Total		<u>\$ 23,338</u>	<u>\$ -</u>

Combined total debt service

Year Ending June 30	Principal Due	Interest Due	Total
2007	5,791	1,187	6,978
2008	5,860	1,118	6,978
2009	5,933	1,046	6,979
2010	3,588	970	4,558
2011	3,666	892	4,558
2012 to 2016	19,620	3,170	22,790
2017 to 2020	16,500	769	17,269
Total	<u>\$ 60,958</u>	<u>\$ 9,152</u>	<u>\$ 70,110</u>

TOWN OF LYNN DYL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Town manages these various risks of loss through the purchase of commercial insurance. The Town has also purchased a workers' compensation policy. Claims during the last three years have not exceeded coverage.

March 20, 2007

Office of the Utah State Auditor
Utah State Capital Complex
East Office Building, Suite E310
PO Box 142310
Salt Lake City, Utah 84114-2310

Utah State Auditors Office:

The financial reports for the year ended June 30, 2006 indicated that Lynndyl Town failed to comply with State laws regarding budgetary compliance. Due to the noncompliance, the following corrective action plan has been prepared to ensure the problem will be resolved.

Corrective Action Plan

With regards to the budget noncompliance the Town of Lynndyl will more closely monitor all expenses to make certain they stay within the yearly budget and will review the actual expenses with the budgeted amount at year-end and make any necessary changes to the budget. The Town has also implemented a new software program to aid in dealing with the compliance issue. Reviewing the program periodically will aid in maintaining accuracy. Linda Tanner, budget officer, will be the contact person responsible for this corrective action plan.

Sincerely,

A handwritten signature in cursive script that reads "Linda Tanner".

Linda Tanner

Lynndyl Town